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FM AMEMBASSY BEIJING

TO RUEHC/SECSTATE WASHDC IMMEDIATE 8301

INFO RUEHOO/CHINA POSTS COLLECTIVE

RUCNIRA/IRAN COLLECTIVE

RUEHVI/AMEMBASSY VIENNA 0235

RUCNDT/USMISSION USUN NEW YORK 2020

RUEHUNV/USMISSION UNVIE VIENNA 1322

C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 002548

SIPDIS

E.O. 12958: DECL: 06/27/2028

TAGS: PREL PTER ENRG MARR CH IR

SUBJECT: PRC/IRAN: AMBASSADOR SCHULTE EMPHASIZES IMPORTANCE
OF DUAL TRACK APPROACH

Classified By: Acting Political Minister Counselor Ben Moeling.
Reasons 1.4 (B/D).

¶11. (C) SUMMARY: The international community must use a dual track approach of incentives backed by diplomatic pressure and sanctions to ensure Iran does not continue to develop its enrichment program in violation of its Security Council obligations, U.S. Ambassador to the International Atomic Energy Agency (IAEA) Greg Schulte told MFA Arms Control Department Deputy Director General Ambassador Hu Xiaodi and Chinese academics during meetings June 16-17 in Beijing. Chinese officials said more sanctions might actually strengthen Iranian hardliners and the United States should consider Iran's need for a civil nuclear program. Creating an international fuel bank for low-enriched uranium fuel and encouraging states to rely on the international market looks "fine on the surface," but might meet resistance from nations that lack enrichment capabilities. Academics stressed that Iranian national pride plays a role in Iran's desire to develop a nuclear program and said China will be reluctant to support an approach that, by raising tensions, might further raise the price of oil. Despite superficial parallels with the Six-Party Talks, Iran will be "tougher to crack" than North Korea. Contrary to U.S. claims, China is not significantly expanding its nuclear arsenal but instead seeks to improve the survivability of its nuclear weapons, one Chinese scholar said. End Summary.

¶12. (C) U.S. Ambassador to the International Atomic Energy Agency (IAEA) and UN Organizations in Vienna Gregory Schulte visited Beijing June 16-17, and met Ministry of Foreign Affairs (MFA) Arms Control and Disarmament Department Deputy Director General Ambassador Hu Xiaodi. In addition, Schulte met academics and think tank scholars, including Chinese Institute of International Studies (CIIS) Arms Control Program Director Dr. Li Bin, Peking University International Security Program Director Dr. Zhu Feng, CIIS President and former Chinese Ambassador to the UK Ma Zhengang, CIIS Middle East Studies Program Director Dr. Li Guofu and China Arms Control and Disarmament Association (CACDA) Deputy Secretary General Teng Jianqun.

U.S. Concerns over IAEA Report

¶13. (C) In his meetings, Schulte said IAEA Director General ElBaradei's recent report to the IAEA Board of Governors was the "toughest" of the past three years. ElBaradei made no mention of Iranian cooperation or progress and detailed Iran's stonewalling. Schulte said the report's description of Iran's weaponization efforts is consistent with the U.S. National Intelligence Estimate that Iran had a nuclear weapons program that included weaponization efforts until 2003, when it stopped for fear of being caught. Schulte said nuclear weapons work could easily be "taken off the shelf" and restarted. Iran's enrichment activities violate UN

Security Council Resolutions (UNSCRs) and currently serve no civil nuclear purpose. Because Russia has already provided the fuel for Iran's single nuclear reactor now under construction, Iran has no need for enrichment. Schulte also described the benefits of the updated P5-plus-1 package of incentives for Iran in return for full and verified suspension of Iranian uranium enrichment and reprocessing-related activities. He said that, as a major oil importer, China has a stake in preventing a threat to the global energy supply and a consequent rise in already record-high oil prices.

MFA on Iran

¶4. (C) Iran probably is willing to consider the P5-plus-1's updated offer of economic, political, and technical benefits, MFA Arms Control Division Deputy Director General Hu Xiaodi said June 16, but Iran remains unwilling to accept suspension of uranium enrichment as a precondition for further negotiations. This is not necessarily a sign of bad atmospherics. He noted that the Iranian Government has also offered a "package proposal" of its own. Hu said he doubted Iran is trying to build a nuclear weapon, because the leadership has made clear that nuclear weapons are forbidden by Islam, and noted that Iran has not claimed to need a nuclear weapon based on security concerns. Ambassador Schulte said suspension of enrichment activity is necessary to prevent Iran from using the time it gains from protracted negotiations to master uranium enrichment technology. Otherwise, Iran could later replicate its enrichment activities in covert locations and develop nuclear weapons in

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a completely unregulated environment.

MFA: Sanctions Unproductive

¶5. (C) Hu said more sanctions might strengthen hardliners in Iran's government and "give them additional incentive to push forward with nuclear development." He said Iranian conservatives won the recent Majles elections and, if Iran is determined to build a nuclear device, sanctions will not deter it. Ambassador Schulte responded that while conservatives won the election, the hardline conservatives such as those associated with President Ahmadinejad lost ground compared to previous elections, probably because of their failure to deliver prosperity to average Iranians. He also noted that cooperation between the Chinese and U.S. Governments on Iran has been productive and important, particularly in calling on Iran to obey UNSCRs.

Civil Nuclear Energy Use: Uranium Markets

¶6. (C) Schulte noted U.S. interest in the creation of an international fuel bank for low-enriched uranium. In this scheme, countries would contribute fuel to be held under IAEA safeguards at centers such as Russia's Angarsk complex for other nations' civil nuclear programs should the international market fail. This would guarantee access to nuclear fuel while dissuading the development of additional domestic enrichment programs, thus reducing the potential for states to develop inherently dual use enrichment programs. Hu responded that the idea seems fine "on the surface," but allowing only a few nations the right to enrich fuel would be "sensitive" and limit the free market. He said many nations would oppose such a system of "haves and have-nots." Despite this, Ambassador Hu conceded that "the approach is good." Ambassador Schulte noted that many countries, like Saudi Arabia, already purchase nuclear fuel on the open market because enrichment is costly and requires technological expertise that many countries do not have.

On Syria: A Potential "Next Iran"

¶7. (C) Noting that Syria had attempted to build a clandestine nuclear reactor similar to the one in Yongbyon in North Korea, Schulte said he hopes Syria does not become "the next Iran." Syria's attempt to build the reactor shows the high risk of proliferation in the Middle East. Hu said the international community should wait for a full report on Syria's actions before jumping to conclusions.

Li Bin: Our Nuclear Strategies Differ

¶8. (C) The U.S. Department of Energy is disabling entire categories of nuclear weapons and by 2012 the size of America's nuclear arsenal will be equal to that of the Eisenhower era, Ambassador Schulte told Tsinghua University Professor and CIIS Arms Control Program Director Dr. Li Bin in a separate meeting June 17. Russia has also been decreasing its arsenal, which means China is the only major power increasing its nuclear stockpile. Li said China is not increasing the size of its nuclear arsenal, but rather is enhancing the survivability of existing nuclear weapons through mobility. Li later conceded that China "might be" increasing the size of its nuclear arsenal, but the increase is only "a bit." He added that China's nuclear weapons program falls entirely within the bounds of the Non-Proliferation Treaty (NPT), and because China has no "operationally deployed" nuclear weapons, by the terms of the NPT it technically does not possess any nuclear weapons. He noted that Chinese and U.S. nuclear strategies are fundamentally different. The United States will respond to a warning of a nuclear attack with an immediate retaliatory strike, whereas China will wait a full week after a nuclear attack before retaliating. Ambassador Schulte responded that the U.S. maintains the option to respond immediately to an attack, but would not necessarily do so.

Iran's National Pride

¶9. (C) Li said deterrence is an unnecessary and outdated concept in preventing a nuclear attack, as the existing nuclear taboo is enough to make such an attack extremely unlikely. Further, an emphasis on deterrence might actually encourage proliferation. Schulte responded that such

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arguments do not necessarily apply to the current situation in Iran. Iran has worked to weaponize its Shahab-3 missiles with nuclear-capable warheads. He said one of the reasons that Iran has a nuclear weapons program is because it seeks a larger regional role. Although it is probably unlikely that Iran would use nuclear weapons, Iran could bully or threaten the region in ways that would destabilize the Middle East. Li noted that Iran's quest for a nuclear weapon stems in part from national pride, and new incentives might not be enough to bring about a halt in uranium enrichment. Schulte said the P5-plus-1 is offering Iran the opportunity to sit at the table with the world's great powers. Therefore, cessation of nuclear activities could bolster rather than injure Iranian national pride.

Avoid Too Much Pressure

¶10. (C) China is reluctant to support continued U.S. pressure on Iran, because increased threats could lead to higher oil prices and harden the positions of other Middle East countries, Peking University International Security Program Director Zhu Feng said June 17. China instead seeks a balanced position to maintain stability. Zhu said China supports the dual track strategy of negotiations and sanctions and agreed that if Iran does not suspend enrichment, the UNSC should adopt new actions to show Iran the consequences of its actions, but a consensus-driven

negotiated approach is the only way forward. He said President Bush's policy on Iran is "overwhelmingly tough" and more incentives and confidence-building measures are needed, including security assurances and an overall reduction of hostility. He said the Six-Party Talks on North Korea and the Iran issue are fundamentally different. Tehran is "harder to crack" than Pyongyang, partly because of the role that Russia plays with Iran. Rather than "backing" Iran and endorsing its nuclear program, Russia should act as China does in the Six-Party Talks -- it could be a good broker. Schulte said now is not the time to provide more security assurances to Iran, given that Iran is destabilizing the region, killing U.S. soldiers in Iraq, and violating UNSCRs. Iran needs to understand the economic consequences of its actions. Other countries, including China, have a responsibility to adjust their trade policies with Iran accordingly.

Roundtable Lunch: The Iranian Side

¶11. (C) The Iranian Ministry of Foreign Affairs has launched an aggressive public diplomacy campaign regarding its right to enrich uranium as a part of a peaceful civil nuclear program, CIIS Middle East Studies Program Director Li Guofu said June 17. Li said the Iranian Government has fulfilled all six outstanding issues in the IAEA-Iran Work Plan, and claimed that Iran's overall cooperation with the IAEA has been excellent. Ambassador Schulte responded that Iran has not in fact fulfilled all the outstanding issues in the Work Plan and that IAEA Director General ElBaradei's May report made clear that Iran still owes the IAEA answers on weaponization. Iran is currently enriching uranium in violation of UNSCRs, Ambassador Schulte said, and the most recent DG's report states clearly that Iran is refusing to cooperate. (Comment: It was clear that Li has significant interactions with the Iranian Embassy as he put forth Iran's talking points on the nuclear issue nearly verbatim. End Comment.)

Iran: Waiting For Bush to Leave

¶12. (C) Iran hopes to bide its time until the current U.S. administration leaves office, CIIS President and former Chinese Ambassador to the UK Ma Zhengang said. He said Iran has sought to improve relations with the United States; e.g., by quickly sending condolences after 9/11 and offering a fire brigade to aid relief efforts. President Bush responded by labeling Iran part of the "Axis of Evil," leading to Iranian fears of intended regime change, he said. Ma said Iran has the long-term goal of regional influence and the United States should not rule out mutual cooperation.

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